

BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting (Proposal Six)

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Docket No. RM2017-10

**COMMENTS OF UNITED PARCEL SERVICE ON NOTICE OF
PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL SIX)
(September 15, 2017)**

United Parcel Service ("UPS") respectfully submits these comments in response to Commission Order No. 4023 (August 1, 2017) seeking comments on the Postal Service's Proposal Six, which seeks to revise the mail processing and transportation cost models for Parcel Select and Parcel Return Service mail. The Proposal aims to "update the cost models, correct errors, incorporate new data, and re-evaluate some assumptions and methodologies."¹

UPS supports those provisions of Proposal Six that would rectify inaccurate assumptions regarding transportation costs incurred by products in the destination network distribution center (DNDC), destination sectional center facility (DSCF), and destination delivery unit (DDU) price categories.² Although one might expect, given the nature of these products, that mail in these price categories would not incur transportation costs upstream from the point where that mail enters the network, the Postal Service found (and reported) that these products do in fact incur such costs. It

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Six), Dkt. No. RM2017-10 (Aug. 1, 2017), at 2.

² *Id.* at 7.

now proposes to update its transportation costing models for these categories, replacing what have proven to be inaccurate assumptions with actual cost related data.

UPS supports this change, because cost attribution should be based wherever possible on data that reflects actual experience, rather than untested assumptions. As UPS has explained in other dockets, the Postal Service has relied far too heavily on untested assumptions for costing purposes. In many cases, these assumptions appear to lead to a systematic under attribution of costs to competitive products.

In other parts of Proposal Six, however, the Postal Service continues to use approximations when more accurate information might be readily available. Specifically, in calculating cubic foot miles (CFM) by zone, the Postal Service multiplies the number of cubic feet of mail traveling between pairs of 3-digit ZIP codes by using the “great circle distance formula for an ordinary sphere.”³ This assumption might be inaccurate because mail, whether transported by air or surface, generally does not travel via a great circle route. Actual routed distances will in all cases be longer, perhaps significantly so, and UPS believes that relying on the great circle distance formula is less accurate than relying on actual, over-the-road distance information. The Postal Service should be encouraged to utilize actual data in place of this assumption as well.

Respectfully submitted,

UNITED PARCEL SERVICE, INC.,

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³ Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 1, Dkt. No. RM2017-10 (Aug. 30, 2017), at 11-12 (response to Question 8).

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